

Agency Activity Inventory
by Agency
Appropriation Period: FY 2007-08

Agency: R20 - Department of Insurance

Functional Group: Transportation &
Regulatory

1336 Solvency Monitoring

Monitor the solvency of domestic insurers and Health Maintenance Organizations (HMO) to detect as early as possible those insurers and HMOs which are financially impaired so that appropriate action can be taken to protect policyholders (Chapter 13 of Title 38).

FY 2007-08

Total	General Funds	Federal Funds	Supp. Funds	CRF	Other Funds	FTEs
\$2,632,944	\$636,478	\$0	\$0	\$0	\$1,996,466	22.20

Expected Results:

Detect financially-impaired insurers and HMOs in a timely manner and take action to prevent or limit loss to policyholders.

Outcome Measures:

Completed 10 financial examinations and analyzed quarterly and annual financial statements for South Carolina's 53 domestic insurance companies. In addition, the Department received its five-year re-accreditation status from the National Association of Insurance Commissioners (NAIC) in May, 2006, confirming the Financial Services area is in compliance with the NAIC's insurance company solvency monitoring guidelines.

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Functional Group: Transportation &
Regulatory

1337 Licensing

Review applications and issue licenses to those entities that have met the requirements for licensing (Chapters 43 through 53 of Title 38). Administer Continuing Education Program.

FY 2007-08

Total	General Funds	Federal Funds	Supp. Funds	CRF	Other Funds	FTEs
\$757,915	\$106,995	\$0	\$0	\$0	\$650,920	13.00

Expected Results:

Accurately issue licenses in a timely manner.

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Outcome Measures:

Issued licensees within 24 to 72 hours of receipt of properly completed paperwork. A total of 37,142 new licenses (36,334 individual and 808 special licenses) were issued during the past fiscal year. After reviewing financial statements and other pertinent information, the Financial Services area issued 34 licenses to insurance companies seeking to write insurance in South Carolina. These licenses were for the following: 15 foreign Property & Casualty insurance companies, 7 foreign or alien surplus lines insurance companies, 4 foreign mutual life insurance companies, 4 foreign mutual Property & Casualty companies, 1 foreign health maintenance organization, 1 foreign mutual life insurance company, and 2 foreign health insurance companies.

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1338 Taxation

Audit premium and broker tax returns and collect insurance taxes as prescribed by the insurance statutes (Chapters 7 and 45 of Title 38).

FY 2007-08

Total	General Funds	Federal Funds	Supp. Funds	CRF	Other Funds	FTEs
\$163,425	\$163,425	\$0	\$0	\$0	\$0	1.00

Expected Results:

Accurately collect taxes as prescribed by the insurance statutes.

Outcome Measures:

Collected insurer and broker premium taxes on a quarterly basis, which were deposited to the General Fund. Performed audits of returns and balanced taxes to the general ledger by June 30, 2007. During the year, the Department audited 1,598 licensed insurers and 147 captive insurers. In addition, 230 broker premium tax returns were reviewed and audited. After auditing returns, additional taxes of \$753,793 were collected. Total taxes and fees collected during the fiscal year amounted to approximately \$166 million.

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1339 Consumer Services

Assist consumers with insurance-related problems and provide public information on consumer insurance issues (38-13-70).

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Total	General Funds	Federal Funds	Supp. Funds	CRF	Other Funds	FTEs
\$547,221	\$547,221	\$0	\$0	\$0	\$0	11.50

Expected Results:

Assist consumers in a timely manner and provide public information as funding is available.

Outcome Measures:

Responded to and resolved consumer requests relating to insurance issues to include unfair sales and advertising practices, underwriting, and claims handling practices. Approximately 2,500 written complaints, 61,383 telephone complaints/inquiries, and 163 walk-ins were handled during the past fiscal year. Additionally, approximately 175 legislative/constituent requests for assistance were handled.

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1340 Form and Rate Review

Ensure that policy forms are in compliance with SC laws and regulations. Ensure that rates are not excessive, inadequate, or unfairly discriminatory (Chapters 55 through 73 of Title 38).

FY 2007-08

Total	General Funds	Federal Funds	Supp. Funds	CRF	Other Funds	FTEs
\$861,442	\$861,442	\$0	\$0	\$0	\$0	8.80

Expected Results:

Insurers issue policies that are in compliance with SC laws and regulations. Timely approve or disapprove rate requests.

Outcome Measures:

Protected insurance consumers by ensuring that forms are in compliance with the laws and regulations of South Carolina and do not contain provisions that are unfair, deceptive, misleading or discriminatory. Approximately 9,941 rates and forms were processed during the past fiscal year. Reviewed rates to ensure that they were reasonable, not excessive or inadequate, and not unfairly discriminatory.

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1341 Pass Through Funds

Administer uninsured motorists' fees and fines as required or allowed by statute (Chapter 10 of Title 56 and 38-77-151 through 155).

FY 2007-08						
Total	General Funds	Federal Funds	Supp. Funds	CRF	Other Funds	FTEs
\$2,555,000	\$0	\$0	\$0	\$0	\$2,555,000	0.00

Expected Results:

Funds budgeted to pass through to the SC Reinsurance Facility to offset losses of the facility are \$200,000. Budgeted funds of \$2,155,000 are designated to be distributed to insurance companies to reduce uninsured motorists' premiums. Budgeted funds of \$200,000 are designated for certain activities to reduce the number of uninsured motorists.

Outcome Measures:

Assessments against insurance companies to offset Reinsurance Facility losses have been reduced by distributions to the Facility. Distributions to the Reinsurance Facility were \$164,100 in FY 2007. Distributions to insurance companies to offset uninsured motorist's premiums were \$1,699,926 in FY 2007. Remaining expenditures were for administration of the Uninsured Motorist program.

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1342 Captive Formation

Facilitate the formation and regulation of captive insurance companies domiciled in SC (Chapter 90 of Title 38).

FY 2007-08						
Total	General Funds	Federal Funds	Supp. Funds	CRF	Other Funds	FTEs
\$1,555,102	\$129,688	\$0	\$0	\$0	\$1,425,414	10.00

Expected Results:

License captive insurance companies using guidelines established by statute. Through proper analysis, the Department reviews financial and other pertinent information submitted by captive insurers applying for license to ensure that each company will be able to meet financial responsibilities to its policyholders.

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Outcome Measures:

Since the passage of captive enabling legislation in 2000, the Department has licensed 172 captive insurance companies. Twenty-three new captive licenses were issued during the last fiscal year and 13 financial examinations of captive insurance companies were completed. During the fiscal year ending June 30, 2007, the Department remitted \$2,855,053 in premium taxes to the General Fund. In addition, performed quarterly and annual financial statement analysis on all domestic captive insurance companies.

Agency: R20 - Department of Insurance**Functional Group:** Transportation & Regulatory**1344 Executive Services**

Provide information and assistance to, and coordinate activities with, the public, government entities, and other outside parties. Administer grants. Perform special projects. (38-1-20(16). Manage the day-to-day operations of the agency.

FY 2007-08

Total	General Funds	Federal Funds	Supp. Funds	CRF	Other Funds	FTEs
\$451,936	\$451,936	\$0	\$0	\$0	\$0	4.00

Expected Results:

Provide requested information and assistance in a timely manner. Administer grant programs in accordance with applicable law and regulations. Maintain efficient coordination of activities with other agencies and outside parties.

Outcome Measures:

Effectively and efficiently managed the day-to-day operations of the agency; provided assistance to legislators and their constituents; successfully managed grants received by the agency; facilitated all NAIC projects, meetings, and conferences; and handled all media contacts within properly established timeframes.

Agency: R20 - Department of Insurance**Functional Group:** Transportation & Regulatory**1345 Legal and Investigations**

Initiate enforcement or administrative disciplinary action against entities charged with violating insurance laws. Draft legal documents and legislation. Provide advice and counsel to outside parties and internally with regard to insurance laws. (38-13-70, 38-25-520)

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Total	General Funds	Federal Funds	Supp. Funds	CRF	Other Funds	FTEs
\$848,814	\$848,814	\$0	\$0	\$0	\$0	9.00

Expected Results:

Accept service of process, respond to FOIA requests, provide formal interpretation of SC insurance law, investigation of violations of SC law, impose administrative disciplinary action where necessary, and represent the agency in various state and federal proceedings.

Outcome Measures:

The legal division received 4,083 summons and complaints in civil actions to be served on insurers transacting business in SC, responded to 225 FOIA requests, handled 63 requests for interpretation of SC insurance law, closed 335 investigation files resulting in \$143,000 in administrative fines for the general fund, and represented the agency in 1 case brought before the Administrative Law Judge during the last fiscal year.

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Regulatory

1346 Administration

Develop and maintain state administrative and accounting policies for payroll, travel, human resources, accounting, and reporting. Policies incorporate federal and state regulations, as well as national accounting standards. Also, maintain an efficient and customer-friendly central file operation. The fiscal unit also monitors financial data for compliance with policies.

FY 2007-08

Total	General Funds	Federal Funds	Supp. Funds	CRF	Other Funds	FTEs
\$1,293,926	\$1,216,926	\$0	\$20,000	\$0	\$57,000	16.50

Expected Results:

Maximize the value of the state's investments in financial and administrative systems. Streamline business processes to make it easier for state employees to perform their jobs. Provide easy, timely access to valuable information to improve decision-making and operational effectiveness.

Outcome Measures:

Provided administrative services in support of the agency's mission in a professional, qualitative, and responsive manner which emphasized efficiency and cost-effectiveness. Managed salaries and benefits for 96 FTEs. Also, maintained agency-wide computer system. Account for the collection of over \$190,000,000 in taxes, fees, fines and assessments.

EXPLANATION:

The Department received a supplemental appropriation to purchase an Uninterruptible Power Supply (UPS) and a small generator. This will provide an emergency power supply for the agency's network.

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1347 Administration

H.3820 established the South Carolina Hurricane Damage Mitigation Program which provides financial incentives to encourage residential property owners to retrofit their properties, making them less vulnerable to hurricane damage and helping reduce the cost of residential property and casualty insurance.

FY 2007-08

Total	General Funds	Federal Funds	Supp. Funds	CRF	Other Funds	FTEs
\$0	\$0	\$0	\$0	\$0	\$0	0.00

Expected Results:

Reduce the state's insurance potential maximum loss by providing grants to better protect homes against hurricane damage.

Outcome Measures:

Provided matching grants of up to \$5,000 to assist individuals in making their homes as hurricane-resistant as possible. The Department partnered with local and statewide businesses and not-for-profit agencies to provide information and mitigation methods to help South Carolinians learn ways to make their homes more hurricane-resistant. Expos will be held in conjunction with the SC Safe Home program to provide information and assistance with this effort.

EXPLANATION:

H.3820 established the South Carolina Hurricane Damage Mitigation Program. Provides matching grants of up to \$5,000 to assist in encouraging residential property owners to retrofit their properties in an effort to better protect homes and reduce the state's insurance potential maximum loss. Funding for this program will be \$2,235,715 in FY 08.

AGENCY TOTALS

Department of Insurance

TOTAL AGENCY FUNDS	TOTAL GENERAL FUNDS	TOTAL FEDERAL FUNDS	TOTAL OTHER FUNDS
\$11,667,725	\$4,962,925	\$0	\$6,684,800
	TOTAL SUPPLEMENTAL FUNDS	TOTAL CAPITAL RESERVE FUNDS	TOTAL FTEs
	\$20,000	\$0	96.00